

[REDACTED]  
Internal Revenue Service  
District Director  
[REDACTED]  
[REDACTED]  
[REDACTED]

Department of the Treasury

P.O. Box 2508  
Cincinnati, OH 45201

Person to Contact:  
[REDACTED]

Telephone Number  
[REDACTED]

Refer Reply to:  
[REDACTED]

Date: OCT 25 1996

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under the provisions of section 501(c)(4) of the Internal Revenue Code of 1986 and its applicable Income Tax Regulations.

Consideration was given to whether you qualify for exemption under other subsections of section 501(c) of the Code and we have concluded that you do not.

As your organization has not established exemption from Federal income tax, it will be necessary for you to file an annual income tax return on Form 1041 if you are a trust or Form 1120 if you are a corporation or an unincorporated association.

If you are in agreement with our proposed denial, please sign and return one copy of the enclosed Form 6018, Consent to Proposed Adverse Action.

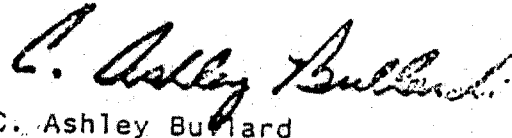
You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law and other information to support your position as explained in the enclosed Publication 892, "Exempt Organizations Appeal Procedures for Unagreed Issues". The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a hearing with a member of the office of the Regional Director of Appeals when you file your appeal. If a hearing is requested, you will be contacted to arrange a date for it. The hearing may be held at the Regional Office, or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he or she must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in Section 601.502 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

[REDACTED] [REDACTED] [REDACTED] [REDACTED]

If we do not hear from you within the time specified, this will become our final determination.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "C. Ashley Bullock".

C. Ashley Bullock  
District Director

Enclosures: 3

Enclosure I  
Reasons for Proposed Denial of Exempt Status

[REDACTED]  
[REDACTED]  
You were incorporated on [REDACTED] under the laws of [REDACTED]  
[REDACTED] Your stated purposes in pertinent part are:

To represent non-homestead property owners within [REDACTED]  
[REDACTED]

Article II, section 2.01, of your Bylaws provide that to be eligible for membership an individual must own residential property within [REDACTED] [REDACTED] taxed as non-homestead property under the school tax laws. At the time of the application there were 670 members.

The activities of your organization consist of representing owners of real property in [REDACTED] which has been classified for tax purposes as non-homestead property. The organization intends to bring a legal challenge to the statute which imposes school operating taxes on non-homestead property owners. The organization represents its' members in all legal proceedings necessary to recover taxes unlawfully imposed on non-homestead property.

Advertisements are captioned: Non-Homestead Property Owners - LIKE TO CUT YOUR PROPERTY TAX BILL? The advertisement further states: If you were to attempt this fight on your own, we believe it would be necessary for you to hire an attorney at your own considerable expense, more than the contribution you make. Our attorneys will represent all members of CUT regardless of their property location.

The organization will also attempt to influence legislation to revise the property tax laws which impose school operating millages on non-homestead property owners.

Your income is primarily derived from membership fees. Each member is required to make a \$ [REDACTED] "contribution" to the organization. The memorandum to Non-Resident Property Owners provides that if an inadequate amount of funds is received, "we will refund your contribution and not proceed."

The expenses of your organization are those relating to your activities and consist primarily of attorney fees.

Section 501(c)(4) of the Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Section 1.501(c)(4)-1(a)(2)(i) of the Regulations states that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common

Enclosure I  
Reasons for Proposed Denial of Exempt Status

[REDACTED]

good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements.

Rev. Rul. 80-206, 1980-2 C.B. 185 held that an organization that promotes the legal rights of tenants in a community and occasionally initiates litigation to contest the validity of legislation adversely affecting tenants may qualify for exemption under IRC 501(c)(4).

Rev. Rul. 73-306, 1973-2 C.B. 179, held that an organization formed to promote the common interest of tenants who reside in an apartment complex which provides legal representation for members (tenants) as a group in litigation involving matters of mutual concern to the members as tenants benefits the members (as a private group of individuals) and not the community in general. Accordingly, exemption under section 501(c)(4) of the Code was denied.

Rev. Rul. 71-530, 1971-2 C.B. 237 held that a nonprofit organization formed to promote the common good and welfare of the general public at legislative and administrative hearings on tax matters qualifies for exemption under IRC 501(c)(4).

In Commissioner v. Lake Forest, Inc., 305 F. 2d 814, the court held that even though the objects of the organization included a contribution of social welfare, its objects were not social welfare "exclusively". The court found the organization was not "civic" but simply a cooperative organization. The concept of social welfare implies a service or program directed at benefitting the community rather than a private group of individuals.

Your operations differ from those of Rev. Rul. 80-206, 1980-2 C. B. 185 since you are not occasionally initiating litigation, but the litigation you conduct will be your sole activity. In addition, your activities are not directed at the community, but directed to members of your organization.

The activities you conduct are similar to those of revenue ruling 73-306, 1973-2 C.B. 179. You are operated for the primary benefit of your members. Even though non-members who are non-homestead property owners may ultimately benefit from your operations, your primary benefit is to your members.

Your operations differ from those of Rev. Rul. 71-530, 1971-2 C.B. 237 since you are not representing the general public but are representing members in legal action.

In conclusion, we determine you do not meet the requirements of section 501(c)(4) of the Code and propose denial of your request for exemption.